

# P402 Microsoft Teams Meeting

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- Welcome to the P402 teleconference – we'll start in a moment
- No video please – conserve bandwidth
- All on mute – use IM if you can't break through
- Talk – pause – talk
- Lots of us are at home – be mindful of background noise and connection speeds

# ELEXON

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## P402

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Allowing extensions to ELEXON's  
business and activities subject to  
additional conditions

2 November 2020

# Meeting Objectives and Agenda

- Agree requirements for the P402 Alternative Solution.

Agenda Item	Lead
Welcome and meeting objectives	Claire Kerr (Chair),
Summary of 5th Workgroup Meeting	Ivar Macsween
National Grid Requirements and Rationale	Grahame Neale
P402 Alternate Requirements	Nick Rubin, Workgroup
Comments and Opinions on the Requirements	Workgroup
Next steps	Ivar Macsween
Meeting close	Claire Kerr



# SUMMARY OF 5<sup>TH</sup> WORKGROUP MEETING

## P402 5th Workgroup Summary

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- The Workgroup have voted to raise an Alternative Solution.
- The original, Proposed Solution requires LDSOs to send data for Tariff Setting and Billing Reports to BSCCo (via SVAA) who compliment this with data for NHH sites, and then compile it into set of monthly Billing Reports and annual Tariff Setting reports, that would be sent on to National Grid.
- The P402 Alternative sees LDSOs compiling this data themselves, sending it directly to National Grid and so not to relying on BSCCo or BSC Systems and Agents for these purposes.
- Impact on viability of the Proposed Solution for delivery in February 2022.



# P402 Rationale

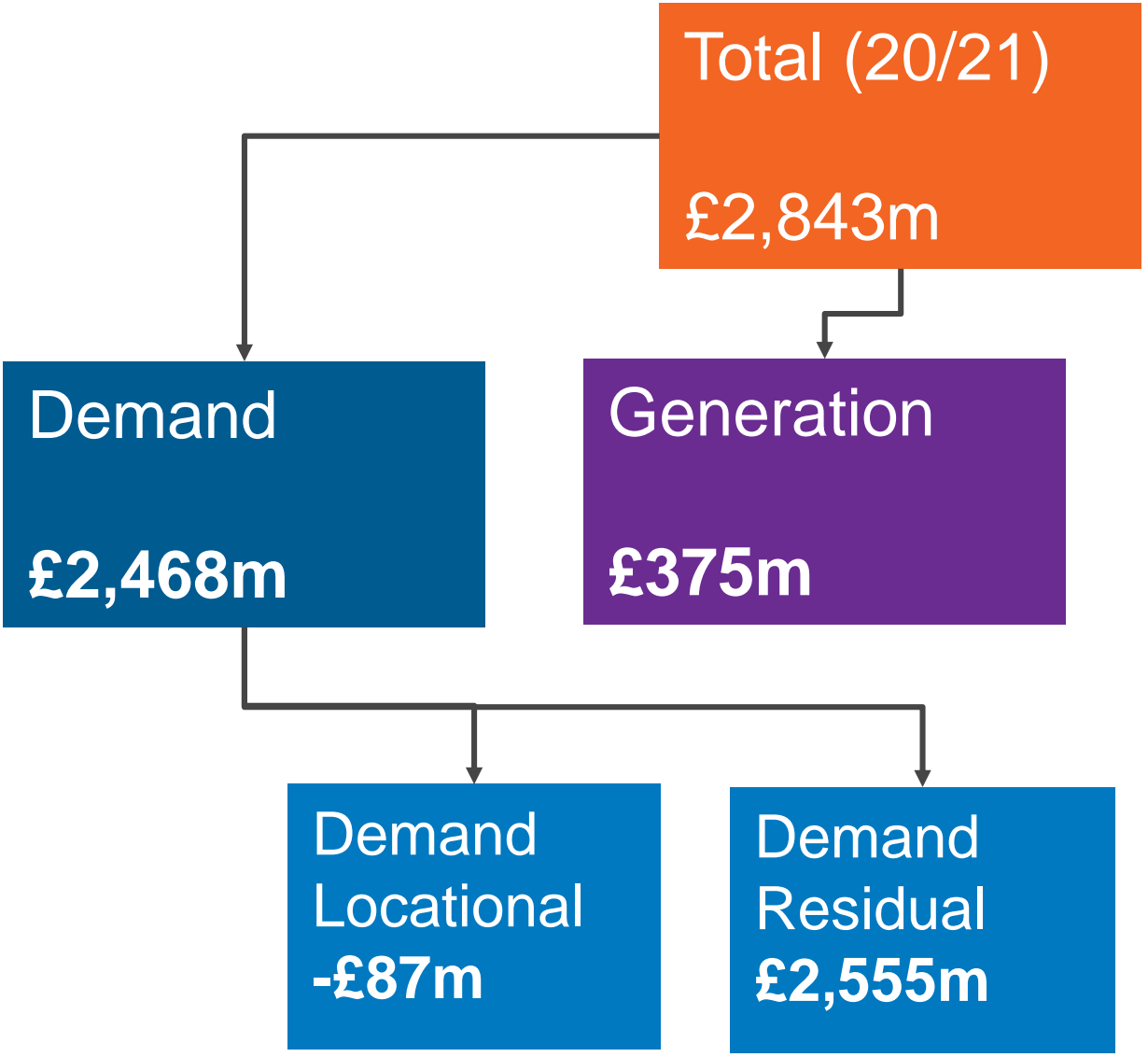
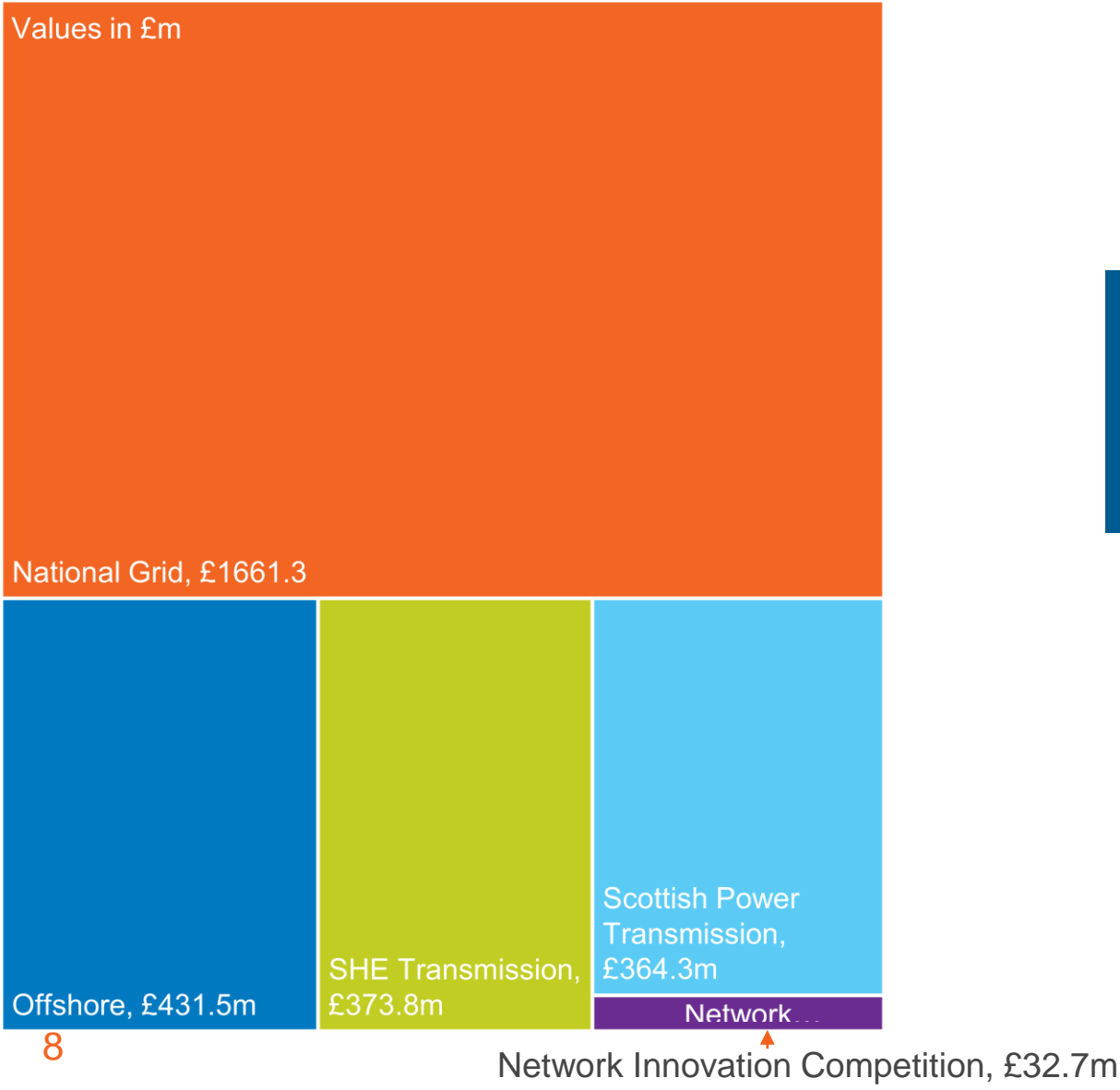
Nov 2020



# TNUoS Overview

- TNUoS recovers the MAR (Max Allowed Revenue) for every TO in GB (onshore and offshore)
- Each TO invoices ESO for 1/12<sup>th</sup> of their MAR each month (i.e. ~£233m per month)
- ESO not financed to carry that financial risk so invoice TNUoS charges in advance
- TNUoS charges are fixed in January to apply from April (i.e. 3 months in advance) due to volume and sources of data (e.g. TO's MAR is not confirmed until December)
- The 4 main tariffs that make up TNUoS are;
  1. Generation locational
  2. Generation residual
  3. Demand locational
  4. Demand residual
- The Demand residual acts a 'mop up' mechanism to ensure ESO correctly collects enough to pay the TOs. (e.g. EU regulation 838/2010 ensures generation charges in the range of €0-2.50/MWh)

# Annual TNUsoS in numbers





# TNUoS Methodology

- TNUoS methodology is designed to send incremental cost signals to market participants.
- Fundamentally driven by the balance of Supply and Demand at each 'node' and the cost of moving the energy (1MW per 1km) – this is managed by 'the transport model'
- The transport model uses latest actual data, NGE SO created forecasts or derived data (old data that is 'updated' using a CUSC prescribed method) as the basis of its calculations. CUSC 14.15.146 lists some common data items which typically affect TNUoS charges
- Eventually, volumetric TNUoS tariffs are calculated using the output of the transport model for generation and demand;
  - Demand is volume based
  - Generation is capacity (TEC) based
- Because of this, forecasting (invoicing on this forecast) and reconciling an individual's TNUoS liability is a key component of TNUoS

# TNUoS Methodology & P402

- The TCR didn't remove any parts of the TNUoS methodology – just made it more complex
- Demand residual needs to reflect a banded £/site/day charge while still being the 'mop up'.
- NGESO currently has no way to get counts and consumption data of DNO connected Final Demand Sites. This is what P402 looks to resolve.
- This data will directly affect TNUoS tariffs and overall TNUoS recovery
  - Consumption data used to assign % of TNUoS recovery to a band – affects tariff value
  - Site counts used to calculate tariffs, advance billing of Suppliers and reconciling previously billed amounts.
- CUSC is prescriptive that for reconciling, we must use latest data (14.17.24 and 14.28) and invoice/credit within 30 days (3.13.6a).
- This P402 data will be the only data used in tariff setting that isn't NGESO calculated and can't be validated by NGESO for accuracy. Latest actual data therefore needed to be consistent with the rest of the TNUoS methodology and added uncontrolled forecast error.
- Supplier provided forecasts currently used in TNUoS billing but forecasting performance linked to financial security requirements so incentivised to be accurate.



# P402 REQUIREMENTS

## P402 Alternative Requirements

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- Are members satisfied that the P402 Alternative Solution requirements would deliver a workable solution?
- Please see P402 Alternative Solution Business Requirements (draft) v0.2 for discussion.



# P402 Alternative Requirements

- Now that a workable set of requirements have been agreed, what are member’s opinions on the benefits/dis-benefits of these requirements?
- These will be recorded in the Reports for P402 so that they can be considered by the industry, Panel and Ofgem.
- What are the Pros and Cons of each approach? Differences in risk?

Solution	Obligations	Identified Costs	Benefits/Risks
Proposed	LDSOs to provide monthly Billing Data and Tariff Setting Data to BSCCo and BSCCo to add NHH, aggregate this data and report to NETSO.	BSC costs: 1.5 -2 Million  LDSO costs: Not all have been able to identify, but given costs range from around £40k to £135k (split across all DNOs)  National Grid costs: approximately £530k	Centralised mechanism for collecting, aggregating and sharing data. A single set of reports. Existing set of processes and governance.
Alternative	LDSOs to provide all Billing and Tariff Setting data, including UMS data, to NETSO. BSCCo to support LDSOs in the identification of CVA Registrants.	BSC costs: minimal  LDSO costs: Not all have been able to identify, given costs approx £40k to £85k, shared by all DNOs in DURABILL consortium  National Grid costs: TBC	Direct interface between LDSOs and NG

# Applicable BSC Objectives

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- Members to provide initial views on whether the Alternative P402 solution better fits the BSC Objectives.
- Previously, Workgroup had described (by majority) positive impacts on Objective (a) and (d) for the Proposed Solution. Previously believed the Alternative was stronger against (d) by majority. Have any of these views changed in light of recent discussions?
  - a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence
  - b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System
  - c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity
  - d) Promoting efficiency in the implementation of the balancing and settlement arrangements
  - e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]
  - f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation
  - g) Compliance with the Transmission Losses Principle



## P402 2<sup>nd</sup> APC Questions

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- There will be a second Assessment Procedure Consultation in order to seek industry views on the Alternative and establish its costs and impacts for market participants.
- Proposed **10 Working Days** duration.
- Proposed questions to ask:
  1. Likely reasonable cost estimate for implementing the Proposed and the Alternative. This will be reported anonymously.
  2. Views on Objectives for Proposed and Alternative
  3. Industry's views on reporting Billing and Tariff Setting data on monthly basis versus Billing (monthly) and Tariff Setting (annual)
  4. Are there any other questions that the Workgroup feel are necessary or would help them come to a decision?

## P402 Implementation

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- In order to go live in February 2022 should the Proposed Solution, our service provider has indicated that work must begin in February 2021, following Ofgem approval.
- This requires handing P402 to Ofgem in mid-February 2021, and receiving an extremely quick decision. This will be challenging and presents a lot of risk.
- Could P402 be implemented in March 2022, or on 1 April 2022?
  - Rationale for Feb '22 was to begin reporting in late Feb/early March so that National Grid can start billing in late March
- The group should consider requirements for an interim solution if unable to implement the Proposed Solution in time



# NEXT STEPS

## P402: Next Steps

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- Elexon to respond to meeting outcomes and feed in to P402 Alternative Business Requirements.
- Workgroup to review P402 Alternative Business Requirements and second Assessment Procedure Consultation documents Friday 27 November – Monday 30 November.
- Following this, we will issue the 2<sup>nd</sup> APC 2 – 16 December and schedule a Workgroup (17/18 December) to consider responses and provide final views.
- This would allow the Assessment Report to be delivered to January 2021 Panel meeting. Then Report Phase Consultation in January -> Draft Mod Report to Panel 11 Feb -> to Ofgem 15 Feb.
- All this will be done ASAP to avoid delays to getting P402 to Ofgem, however the Xmas period could present a challenge to overall progression.